AGENDA DATE: 5/25/00

State of New Jersey

Board of Public Utilities

Two Gateway Center
Newark, NJ 07102

IN THE MATTER OF THE PETITION	**)**	**ENERGY**
OF PUBLIC SERVICE ELECTRIC	**)**	
AND GAS COMPANY – REVIEW OF	**)**	
EXPERIMENTAL CURTAILABLE	**)**	**DECISION AND ORDER**
ELECTRIC SERVICE SPECIAL	**)**	
PROVISION AND REQUEST FOR	**)**	
APPROVAL OF A NEW PROGRAM	**)**	**DOCKET NO. ET00020102**

(SERVICE LIST ATTACHED)

By letter dated February 29, 2000, Public Service Electric and Gas Company ("PSE&G" or "Company") petitioned the Board of Public Utilities ("Board") to approve a new Curtailable Electric Service ("CES") Special Provision, on a permanent basis, that would supersede the existing experimental CES provision. In addition, the Company's filing included for review a compliance report detailing the actual experience in implementing the existing CES provision for the first time during the summer of 1999. The new CES provision proposed by the Company contains modifications to the provision based upon the experience gained after actual customer curtailments effected under the provision during the summer of 1999. More particularly, the proposed CES would eliminate a purportedly outdated premium credit afforded to customers who curtail loads during the hour of system peak; and it would seek to increase the curtailable load aggregated under the program by targeting customers with the greatest ability to reduce load when called upon to do so.

Background

The CES program was originally approved by the Board in Docket No. ET92020110 and implemented on June 1, 1992, as an experimental, summer period curtailment provision available to commercial and industrial customers served on Rate Schedules LPL - Large Power and Light, and HTS - High Tension Service. The provision was adopted as a more flexible, voluntary alternative to the Company's Interruptible Electric Service ("IES") Special Provision. The IES Special Provision provided for fixed monthly curtailment credits under the assumption that participating customers would curtail loads to contracted levels at the Company's request; failure to curtail load at the Company's request, however, would result in substantial penalties. This penalty feature served to discourage from participation all but those customers who could most assuredly reduce their load requirements on relatively short notice. The voluntary CES program sought to overcome this obstacle by offering credits for actual curtailments with no penalty for non-curtailment.

Implemented on an experimental basis, the CES program would be subject to an annual approval process wherein design modifications would be effected over time to improve the potential for developing increased curtailable load. In the original 1992 Order, the Board stipulated that the design of the experimental program would be reviewed during the Company's next base rate proceeding. Accordingly, the issue was revisited in the context of the Company's petition in Docket No. ER91111698J, which was concluded by a Stipulation among the parties approved by Board Order dated December 31, 1992. Pursuant to that Order, CES continued on an experimental basis during the 1993 summer months. Staff ("Staff"), the Company and the Division of the Ratepayer Advocate ("Advocate") subsequently conferred on the formulation of a more accurate methodology to measure actual customer load curtailments, but agreed to defer a recommendation for Board implementation until there could be an analysis of actual CES curtailment data. Since there were no curtailments during either the 1992 or 1993 summer periods, the relevant data was not available to assess the likely results of the newly formulated measurement methodology.

In a subsequent petition dated December 21, 1993, the Company filed for another one-year extension of the CES program through the 1994 summer curtailment period. By Order dated May 24, 1994, in Docket No. ET92020110, the Board approved the one-year extension of CES and, at the request of the Staff, extended the applicability of CES curtailments through the winter months under system emergency conditions. This latter provision, to which PSE&G consented, was adopted in recognition of the particularly severe winter conditions that had adversely affected system reliability.

Following the conclusion of the 1994 summer curtailment period, the Company, on November 22, 1994, petitioned for a number of modifications to the CES provision designed to attract an additional 33 mW of curtailable load annually through the year 2000. To accomplish this stated objective, PSE&G's filing proposed to enhance the payment for curtailable loads as well as to increase the customer base eligible to participate in CES. A collaborative effort between the parties resulted in the June 6, 1995, Stipulation between Staff, the Ratepayer Advocate and the Company. This Stipulation sought Board approval of the following provisions: CES was made available to secondary voltage commercial and industrial customers with over 100 kW of curtailable load through its expansion to Rate Schedule GLP – General Light and Power; credits were increased for actual curtailments and an additional premium credit was implemented for curtailments made during the Company's system peak hour. Along with various administrative modifications recommended by the parties, these provisions were adopted by Board Order dated June 14, 1995, in Docket No. ER94110547.

On September 12, 1995, PSE&G petitioned the Board to modify the annual approval process for extension of the experimental CES provision. Since its inception in 1992, the experimental CES provision had undergone an annual review and renewal process to identify and effect program improvements designed to increase the level of curtailable loads available to PSE&G in its load management efforts. The modification requested by the Company sought continuation of the CES provision on an experimental basis until actual curtailments were experienced and actual data was available to evaluate the program. Staff and the Advocate, which were actively involved in the design of the CES provision since its original implementation, supported the petition of PSE&G. A Board Order issued on May 24, 1996, in Docket No. ET95090420, adopted that petition with the specific modification that such review of the CES provision was to take place subsequent to the first actual, presumably summer, curtailment. Further, at the time of such future summer period curtailment, PSE&G would prepare for filing no later than the following November a report on the impacts of the CES curtailment with any suggested program modifications. Modifications to CES developed in the context of that filing would be implemented effective the following October.

Company Proposal

In the instant petition, the Company seeks to replace the existing CES Special Provision with a new permanent CES program that will increase the amount of curtailable load available at a reduced cost to the Company's ratepayers. The new program is anticipated to require only 200 to 250 customers to produce a load reduction in the order of 100 to 120 megawatts. Compared to the 633 customers signed up for the CES program during the summer of 1999, the lower targeted participation level of the proposed CES program is premised upon a more selective approach to customer participation. During the two curtailments requested by PSE&G during the summer of 1999, only approximately 50 percent of the requested load reductions were achieved. The anticipated participant group of the new CES program would be composed of customers more likely to respond to Company requests to curtail. Further, due to changes initiated by the Pennsylvania-New Jersey-Maryland Office of the Interconnection ("PJM"), wherein a utility's single system peak-day demand is no longer used to establish either system or customer peak-day obligations, PSE&G asserts that the current inclusion of a system peak premium credit of $15.11 per kW is no longer justified. Based upon this change in PJM's Reliability Assurance Agreement, the Company has proposed eliminating the $15.11 credit from the CES program, which would reduce the cost of curtailed load to the Company and, ultimately, its ratepayers. The current CES credit of $6.48 per kW for non-system peak curtailed load would be continued and applied to all kW of curtailed load under the proposed CES program.

Staff and the Advocate have been actively involved in the design of the CES program since its original implementation. With respect to the instant petition, Staff has reviewed the Company's analysis of actual CES program experience achieved during the summer 1999 period, and the rationale underlying each of the requested components of the proposed new CES program. As a result, Staff has recommended Board approval of the petition as filed. The Advocate has submitted no arguments in opposition to the petition. However, by letter dated May 4, 2000, the Advocate propounded discovery relating to the Company's proposal. In addition, the Advocate, by letter dated May 9, 2000, expressed its objection to approving the CES, as revised, on a permanent basis at this time.

Discussion and Findings

Having reviewed the Company's petition, and Staff's recommendation of support, we **HEREBY FIND** that the proposed new CES Special Provision appears to reasonably incorporate terms and conditions reflective of both the summer 1999 actual curtailment experience and the changes to system reliability requirements effected by PJM. However, recognizing the relatively brief review period associated with the Company's proposal, we also **FIND** it premature to accept the Company's arguments to approve the revised CES program on a permanent basis at this time. While we note that the ongoing collaborative efforts of the parties appear to have served to develop a substantial base of curtailable load with definitive value to PSE&G's customers, we also note that further review of this matter is appropriate to ensure that the revised CES program will contribute to a greater ability of PSE&G to manage the reliability of its distribution obligations during times of peak demand. Accordingly, we **HEREBY ORDER** PSE&G to continue to implement its CES Special Provision as modified herein, effective upon the date of this Order, on a continued experimental basis, until such time as the parties are able to resolve any outstanding concerns and the Board has further opportunity to consider this matter.

Finally, the Board has learned that the Company exercised the CES Special Provision during a period of potential capacity shortage in early May 2000. We therefore **DIRECT** PSE&G to provide an analysis of the results of the Company's efforts to mitigate said potential capacity shortage during this period, through the CES Special Provision, to Staff and the Advocate as soon as said analysis is available. In addition, if there are subsequent curtailments under the CES Special Provision, we **DIRECT** the Company to provide an analysis to the parties within forty-five (45) days of each curtailment.

DATED: 5/25/2000

BOARD OF PUBLIC UTILITIES
BY:

____SIGNED____
HERBERT H. TATE
PRESIDENT

____SIGNED____
CARMEN J. ARMENTI
COMMISSIONER

____SIGNED____
FREDERICK F. BUTLER
COMMISSIONER

ATTEST: _____SIGNED________
EDWARD D. BESLOW
ACTING SECRETARY

SERVICE LIST

George Riepe
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Alice Bator
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Rene Demuynck
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Michael Kammer
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jorge Nery
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Helene Wallenstein, DAG
Division of Law
PO Box 45029
Newark, NJ 07101

Blossom Peretz, Esq.
Division of the Ratepayer Advocate
PO Box 46005
Newark, NJ 07101

Gregory Eisenstark, Esq.
Division of the Ratepayer Advocate
PO Box 46005
Newark, NJ 07101

Badrin Ubishin, Esq.
Division of the Ratepayer Advocate
PO Box 46005
Newark, NJ 07101

Frances Sundheim, Esq.
Public Service Electric and Gas
Company
PO Box 570
Newark, NJ 07101